04 November 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

US equities were led higher by tech stocks with the likes of Amazon and Microsoft announcing large supply deals. Outside the tech sector, valuations were subdued, reflecting the softer than expected PMI data coming out of the US.

US bond yields were slightly higher on the day which also helped the US dollar advance to its higher level since August. Yields were also higher across Europe.

The Aussie ticked lower to remain above 0.65300, with local yields ticking 4bps higher across the curve during yesterday's trade. Interest rate futures suggest the RBA's rate cutting cycle has come to an end, pricing in no more cuts in 2025 and 2026. RBA messaging following the Melbourne Cup Board meeting, coupled with updated forecasts in the SoMP, presents a significant risk event for the Aussie and is likely to drive price action.

## Data snapshot

| FX Last 24 hrs | Current | Change |
|---|---|---|
| TWI | 61.3 | 0.2% |
| AUD/USD | 0.6539 | -0.1% |
| AUD/JPY | 100.83 | 0.0% |
| AUD/GBP | 0.4976 | 0.0% |
| AUD/NZD | 1.1453 | 0.2% |
| AUD/EUR | 0.5674 | 0.0% |
| AUD/CNH | 4.6595 | -0.1% |
| AUD/SGD | 0.8530 | 0.2% |
| AUD/HKD | 5.0828 | -0.1% |
| AUD/CAD | 0.9188 | 0.2% |
| EUR/USD | 1.1523 | -0.1% |
| USD/JPY | 154.20 | 0.1% |
| USD Index | 99.87 | 0.1% |

| AUS Interest Rate Swaps | Last | Change |
|---|---|---|
| 30 day BBSY | 3.59 | 0.01 |
| 90 day BBSY | 3.69 | 0.00 |
| 180 day BBSY | 3.92 | -0.01 |
| 1 year swap | 3.55 | 0.02 |
| 2 year swap | 3.55 | 0.02 |
| 3 year swap | 3.61 | 0.03 |
| 4 year swap | 3.70 | 0.04 |
| 5 year swap | 3.79 | 0.04 |
| 6 year swap | 3.88 | 0.04 |
| 7 year swap | 3.97 | 0.04 |
| 8 year swap | 4.06 | 0.04 |
| 9 year swap | 4.14 | 0.04 |
| 10 year swap | 4.36 | 0.02 |

| Equities | Close | Change |
|---|---|---|
| S&P/ASX 200 | 8,895 | 0.1% |
| S&P 500 | 6,854 | 0.2% |
| Japan Nikkei | 52,411 | 2.1% |
| Hang Seng | 26,158 | 1.0% |
| Euro Stoxx 50 | 5,679 | 0.3% |
| UK FTSE100 | 9,701 | -0.2% |
| VIX Index | 17.18 | -1.5% |

| Commodities | Current | Change |
|---|---|---|
| CRB Index | 302.54 | 0.0% |
| Gold | 4010.23 | 0.2% |
| Copper | 10855.00 | -0.3% |
| Oil (WTI futures) | 61.00 | 0.0% |
| Coal (coking) | 203.25 | -0.9% |
| Coal (thermal) | 112.00 | 0.7% |
| Iron Ore | 104.40 | -1.0% |
| ACCU | 37.75 | 10.6% |

| Government Bond Yields | Close | Change |
|---|---|---|
| **Australia** | | |
| 3 year bond | 3.64 | 0.04 |
| 10 year bond | 4.34 | 0.04 |
| **United States** | | |
| 3-month T Bill | 3.79 | 0.06 |
| 2 year bond | 3.60 | 0.02 |
| 10 year bond | 4.10 | 0.03 |
| **Other (10 year yields)** | | |
| Germany | 2.67 | 0.03 |
| Japan | 1.67 | 0.00 |
| UK | 4.44 | 0.03 |

| Sydney Futures Exchange | Current | Change |
|---|---|---|
| 10 yr bond | 4.35 | 0.00 |
| 3 yr bond | 3.66 | 0.00 |
| 3 mth bill rate | 3.40 | 0.00 |
| SPI 200 | 8,890 | -0.1% |

Data as at 7:00am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

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## Financial Markets:

- Tech stocks led the market higher on the back of large deals announced by the likes of Amazon and Microsoft, with valuations outside of the tech sector remaining subdued. Amazon Web Services announced a US$38bn deal to give OpenAI access to Nvidia graphics processing units, while Microsoft announced a US$9.7bn agreement to buy cloud capacity from Australia's IREN. Bloomberg's Magnificent Seven index increased almost 1.5% on the day with Amazon shares 5% higher. This saw the S&P 500 close 0.2% higher with the tech heavy Nasdaq outperforming, up 0.5% on the day. The Dow Jones Industrial Average underperformed to finish 0.4% lower as investors digested the soft partial indicators coming out of the US.
- European markets were generally higher amid PMI data which suggests manufacturing conditions may be firming across key European economies. The Euro Stoxx 50 gained 0.3% while the German DAX closed 0.7% higher. The FTSE 100 in London closed 0.2% lower while the CAC 40 in Paris edged 0.1% lower. Asian markets were higher with the Nikkei closing 2.1% higher, the CSI 300 up 0.3% and the Hang Seng almost 1.0% higher. In the local market, the ASX 200 closed 0.2% in the green ahead of today's RBA meeting. Futures are pointing to a soft start to today's session.
- There was a slight selloff in US Treasuries which saw yields tick higher. The 2-year bond yield increased 2bps to 3.60%. The 10-year bond yield increased 3bps to 4.10%. Interest-rate futures are pricing in around 80bps of cuts to the end of 2026, with the first full rate cut expected by January 2026. Yields were slightly higher across Europe as well with 10-year bond yields up 3bps in the UK and Germany to 4.43% and 2.67%, respectively.
- Yields in the local market were unchanged on futures overnight with the 3-year bond yield futures sitting at 3.64%, while the 10-year bond yield futures remaining at 4.35%. This follows increases during yesterday's trade of around 4bps across the curve. Ahead of today's RBA Board announcement the market has priced in virtually no chance of a rate cut in November and is now no longer pricing in a rate cut over 2025 and 2026.
- The US dollar index edged 0.1% higher to 99.87, reaching a session high of 99.988 – the highest level since August this year – amid higher yields and hawkish comments from some Fed officials. This saw the euro lose 0.1% to 1.1523 while the Yen was broadly unchanged at 154.10.
- The Aussie slipped 0.1% to 0.6539 against the Greenback in a volatile session which saw the AUD/USD pair hit a session low of 0.6518 before settling slightly above this level. Today's Melbourne Cup RBA Board announcement, messaging and forecast updates present a significant risk event for the Aussie. While no one is expecting a cut, more hawkish than expected comments by the RBA Governor, or surprises in the RBA's updated forecast (i.e. upgrades to core inflation), could drive significant price action.
- Commodities were broadly unchanged. Gold edged 0.2% higher to be around US$4,010 an ounce. Copper slipped 0.3% but remained elevated at US$10,855 a tonne amid softer than expected Chinese manufacturing PMIs. Crude markets stabilised with the West Texas Intermediate remaining at US$61/bbl. Iron ore slipped by 1.0% to US$104 a tonne.

## Today's key data and events

| Time | Event | Exp | Prev |
|---|---|---|---|
| 1:45am | US S&P Manufacturing PMI Oct Final | 52.2pts | 52.2pts |
| 2:00am | US ISM Manufacturing Oct | 49.4pts | 49.1pts |
| 2:00am | US Construction Spending Sep | - | - |
| 11:30am | JP Jibun Bank Manufacturing PMI Oct Final | - | 48.3pts |
| 2:30pm | AU RBA Policy Decision | 3.60% | 3.60% |
| 2:30pm | AU RBA Statement On Monetary Policy | - | - |
| 2:30pm | AU RBA Policy Decision | 3.60% | 3.60% |
| 3:30pm | AU RBA's Bullock-Press Conference | - | - |

Times are AEDT. All data forecasts are m/m or q/q and seasonally adjusted unless otherwise specified. Forecasts for Australian data are our forecasts and for other countries they are consensus forecasts.

## International Data:

The **ISM manufacturing PMI** survey for October surprised to the downside, indicating that US manufacturers did not see much improvement in growth prospects at the start of Q4. The headline index fell by 0.4pts to 48.7, remaining very close to the Q3 average of 48.7 and just below the January-September average of 49.1. The production index slipped back into contractionary territory, dropping from 51.0 to 48.2. However, new orders improved slightly, although they remained at the low level of 49.4. The employment index increased marginally, but at 46.0, it continued to suggest a declining headcount in the sector.

**Stephan Miran**, the most dovish FOMC member, reiterated his view that current monetary policy is too restrictive, suggesting he will continue voting for outsized interest rate cuts. Chicago Fed President **Austan Goolsbee** indicated that he has yet to decide how he will vote at the December policy meeting, however, he made it clear he is more worried about inflation. "I am nervous about the inflation side of the ledger, where you have seen inflation above the target for four and a half years and it's trending the wrong way," he said. San Francisco Fed President **Mary Daly** also commented that the Fed should "keep an open mind" regarding further policy easing next month.

In her remarks, Fed Governor **Lisa Cook** expressed her concerns about cooling labour market, but she was somewhat more sanguine about inflation, emphasizing that tariff-induced inflationary pressures are temporary, representing one-time price level change. It was her first public speech since President

Trump moved to fire her over mortgage-fraud allegations. Cook did not provide any comments about the ongoing legal case.

The official NBS PMIs, released last week, pointed to increasing downside risks to Chinese GDP growth at the start of Q4, with the manufacturing index falling to 49.0 – a level last seen in April following the Liberation Day tariff announcement in the US. The composite index came in at a neutral level of 50. Yesterday's private sector **RatingDog manufacturing PMI** released in China also suggested slowing growth, with the index easing by 0.6pts to 50.6. At that level, the index was still slightly above the average seen so far this year.

## Local Data:

**Home values** lifted 1.1% in October and 5.6%yr. Momentum has accelerated over 2025, tracking a strong 12% annualised pace over the last three months. All capital cities again recorded monthly rises. The RBA's August rate cut and the expansion of the Federal government's First Homebuyer Guarantee scheme in September have both contributed to the recent quickening in price growth.

**Total dwelling approvals** surged 12%mth in Sep following a couple of weaker reads over Jul (–10.3%) and Aug (–3.6%). On an annual basis, dwelling approvals are now tracking a 15.3%yr rise but remain well below the recent highs recorded during and in the aftermath of the pandemic.

**Household spending** growth remained slow in September, rising just 0.2%mth, with August revised to flat. The monthly profile has shown considerable easing since May. Gains in the month centred on goods with services flat. Similarly, non-discretionary categories drove growth with discretionary spending flat. This flipped the pattern seen in the previous two months. Real spending growth in Q3 was weak at 0.2%qtr, down from an upwardly-revised 0.9%qtr in Q2. That said, annual growth in real spend continues to track positively in per-capita terms.

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